

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-08 FRB-03 INR-07 NSAE-00 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 OMB-01 FEA-01 AGRE-00 DODE-00 H-01

INT-05 L-03 NSC-05 PA-01 SS-15 ITC-01 USIA-06 PRS-01

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TAGS: ETRD, US, EEC

SUBJECT: RENEWAL OF THE MULTIFIBER AGREEMENT: FORMULATION OF
THE COMMUNITY POSITION

REF: EC BRUSSELS 1959

1. ACCORDING TO SOURCES IN THE COMMISSION AND MEMBER
STATE DELEGATIONS, WORKING GROUPS HAVE NEARLY COMPLETED
PREPARATIONS FOR THE MARCH 8 COUNCIL DISCUSSION
ON RENEWAL (OR RENEGOTIATION) OF THE MULTIFIBER AGREEMENT.
MOST OF THE PERIPHERAL ISSUES HAVE BEEN SETTLED.
IT IS GENERALLY AGREED THAT THE PRINCIPAL POINT FACING
THE MINISTERS WILL BE WHETHER THE EC IS TO INSIST THAT
GLOBALIZATION BE RECOGNIZED AS A CONCEPT IN THE MFA. A
NUMBER OF MEMBER STATES ARE ARGUING THAT THE AGREEMENT
SHOULD CONTAIN A NEW CLAUSE PROVIDING FOR GLOBALIZATION.
THERE IS SOME HOPE THAT THIS, IN FACT, WILL BE THE ONLY
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ISSUE FOR THE COUNCIL TO DECIDE.

2. ON TWO OTHER IMPORTANT ISSUES, THERE SEEMS TO BE
GENERAL AGREEMENT. THE MEMBER STATES ARE IN ACCORD
THAT IN FUTURE THERE SHOULD BE DIFFERENTIAL RATES OF
GROWTH FOR THE MOST COMPETITIVE SUPPLIERS ON PRODUCTS
WHERE IMPORT PENETRATION IS HIGH. (THIS AGREEMENT

SEEMS, HOWEVER, TO BE IN REGARD TO FUTURE EC POLICY AND DOES NOT SEEM TO REQUIRE A CHANGE IN THE TEXT OF THE AGREEMENT.) ON THE QUESTION OF LOWER BASE LEVELS, THERE ALSO SEEMS TO BE GENERAL AGREEMENT THAT THE PHRASE IN ANNEX B ALLOWING FOR SPECIALLY ADVERSE CIRCUMSTANCES " FOR A PARTICULAR EXPORTING COUNTRY" SHOULD HAVE THE WORDS "FOR A PARTICULAR EXPORTING COUNTRY" DELETED. HOWEVER, THE COMMISSION MANDATE IS BEING DISCUSSED IN TERMS OF OBJECTIVES FOR THE COMMUNITY NEGOTIATORS AND IT IS NOT COMPLETELY CERTAIN THAT THEY WOULD BE BOUND TO INSIST UPON A TEXTUAL CHANGE. ONE "PROTECTIONIST" DELEGATION TOLD US THAT THERE WOULD AT THE LEAST HAVE TO BE AN INTERPRETIVE NOTE.

3. THERE IS WIDE AGREEMENT IN THE MEMBER STATES THAT THE MFA HAS BEEN RELATIVELY INEFFECTIVE IN HELPING THE EC TEXTILE INDUSTRY, BUT THEY DIFFER ON WHAT TO DO ABOUT IT. THE DISCUSSIONS IN THE WORKING GROUPS HAVE GENERALLY FOUND THE GERMANS, THE DANES AND THE COMMISSION IN FAVOR OF NO CHANGES IN THE AGREEMENT, WITH THE OTHER MEMBER STATES LED BY FRANCE, BRITAIN AND ITALY, SEEKING CHANGES. HOWEVER, A REPRESENTATIVE OF ONE OF THE "LIBERAL" DELEGATIONS TOLD US THAT HE WAS VERY MUCH PLEASED THAT THE ISSUES WILL BE TAKEN UP IN POLITICAL TERMS BY A COUNCIL WHICH WILL DEVOTE MUCH OF ITS ATTENTION TO NORTH-SOUTH ISSUES. HE CONSIDERS THAT HIS CONTEXT WILL BE MOST IMPORTANT. FOR EXAMPLE, THE DUTHC, WHO AT ONE POINT ARE SAID TO HAVE SPOKEN IN FAVOR OF RENOUNCING THE MFA AND RESORTING TO GATT ARTICLE XIX WOULD FIND IT VERY DIFFICULT TO MAINTAIN LIMITED OFFICIAL USE

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THAT POSITION WHEN THE ISSUE IS THROWN INTO THE NORTH-SOUTH CONTEXT IN THE MARCH 8 COUNCIL DISCUSSION.

4. NONE OF OUR SOURCES WOULD PREDICT WITH ANY CERTAINTY THE RESULTS OF THE MARCH 8 COUNCIL MEETING. THE FRENCH HAVE MADE PUBLIC PRONOUNCEMENTS ON A HARD-LINE POSITION AND SEVERAL EXPECT THEM TO DRAG THEIR FEET UNLESS THEY GET THEIR WAY. REPRESENTATIVES OF THE BRITISH GOVERNMENT HAVE MADE STATEMENTS IN PARLIAMENT ON THE GLOBALIZATION ISSUE, WHICH WOULD BE DIFFICULT TO BACK DOWN FROM. THE COMMISSION HAS SO FAR MAINTAINED ITS POSITION ON RENEWAL WITHOUT MAJOR CHANGE. DAVIGNON MADE A GOOD DEFENSE OF THE COMMISSION POSITION, WE ARE TOLD, IN HIS TALK WITH THE FENCH TRADE MINISTER ROSSI. REF A REPORTS A PUBLIC STATEMENT ON HAFERKAMP'S CONTINUED ESPOUSAL OF THIS LINE. AS ONE MIDDLE-LEVEL SOURCE IN THE COMMISSION TOLD US, THE COMMISSION NEEDS THE MFA FOR COMMUNITY REASONS. WITHOUT THE MFA, TEXTILES WOULD SLIP FORM COMMUNITY CONTROL BACK TO MEMBER STATE AUTOMOMY. CONSEQUENTLY,

HE BELIEVES THE COMMISSION IS LIKELY TO CONTINUE FIRM.

5. THERE HAVE, HOWEVER, BEEN TWO RECENT DEVELOPMENTS WHICH HAVE HARDENED THE POSITION OF THE MORE PROTECTIONIST STATES. SHIPMENTS OF INDIAN HANDLOOMS IN THE MONTH OF JANUARY WERE HALF WHAT THE COMMISSION HAD HOPED WOULD BE THEIR VOLUME FOR THE WHOLE OF 1977. CONSEQUENTLY, THE COMMISSION WILL HAVE TO CONSULT WITH THE INDIANS ON MARCH 4 ON THIS ISSUE. IN ADDITION, THE RECENT ISOLATION OF THE COMMUNITY IN THE TSB DISCUSSIONS HAS CONVINCED SOME OF THE MEMBER STATES, AT LEAST AT THE WORKING LEVEL,

THAT THEY HAD BETTER HAVE EVERYTHING IN WRITING IF THEY EXPECT TO SEE THE MFA BECOME A MORE EFFECTIVE PROTECTOR OF THE COMMUNITY'S TEXTILE INDUSTRY. IN GENERAL, OUR SOURCES WERE SLIGHTLY DUBIOUS THAT THE MARCH 8 MEETING WOULD SUCCEED IN SETTling THE RENEWAL QUESTION.
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6. THE AMBASSADOR EXPECTS TO MAKE US CASE FOR RENEWAL WITHOUT CHANGE TO PRESIDENT ROY JENKINS MARCH 3 AND PLANS TO STRESS NORTH-SOUTH ARGUMENTS.HINTON

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